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SUBJECT: DRAFT 2007 INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT
(INCSR) FOR BRAZIL

REF: A) SECSTATE 136787 B) SECSTATE 137250

¶1. Following is a draft of Part I of the Brazil chapter of the 2007 INCSR. As requested in reftel B, the money laundering portion of the INCSR will be submitted separately.

BRAZIL

¶I. SUMMARY

¶2. Brazil is a major transit country for illicit drugs shipped to Europe and, to a somewhat lesser extent, the United States. Brazil has improved cooperation with its neighbors in an attempt to control its remote and expansive border areas where illicit drugs are transported, particularly in the tri-border area with Paraguay and Argentina.

¶3. In 2007 the Government of Brazil (GOB) made important advances in its drug prevention and law enforcement programs, including numerous seizures of illicit narcotics and weapons, and the arrest of important narcotics traffickers. In one notable example, U.S.-Brazilian cooperation helped bring about the capture of Juan Carlos Ramirez-Abadia, a notorious Colombian drug cartel leader. In 2007, the Government of Brazil (GOB) broke up Mexican and Colombian groups involved in sending heroin to the United States, and is now targeting groups that sell prescription drugs illegally via the Internet. The Brazilian Federal Police (BFP) is placing a higher priority on interdiction capabilities at sea ports, major airports and along the Bolivian border, where seizures of low purity cocaine, almost exclusively destined for the domestic Brazilian market, increased. Brazil is a signatory of various counter-narcotics agreements and treaties, the 1995 bilateral U.S.-Brazil counter-narcotics agreement, and the annual Letter of Agreement (LOA) with the United States. Brazil is a party to the 1988 UN Drug Convention.

II. STATUS OF COUNTRY

¶4. Brazil is a significant transit country for cocaine base and cocaine moving from source countries to Europe, the Middle East and Brazilian urban centers, as well as for smaller amounts of heroin. Marijuana and lower-quality cocaine are used among youths in the country's cities, particularly Sao Paulo and Rio de Janeiro, where powerful and heavily armed organized drug gangs are involved in narcotics-related arms trafficking.

III. COUNTRY ACTIONS AGAINST DRUGS IN 2007

POLICY INITIATIVES

15. The GOB continues to implement its National Anti-drug Policy, which was updated in late 2005. The GOB anti-money laundering legislation drafted in 2005 still has not been presented to Congress. If passed it would facilitate greater law enforcement access to financial and banking records during investigations, criminalize illicit enrichment, allow administrative freezing of assets, and facilitate prosecutions of money laundering cases by amending the legal definition of money laundering and making it an autonomous offense. Brazil has established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets.

The Brazilian Government's interagency Financial Crimes Investigations Unit (COAF) and the Ministry of Justice manage these systems jointly. Police authorities and the customs and revenue services have adequate police powers and resources to trace and seize assets. The GOB is in the process of creating a computerized registry of all seized assets to improve tracking and disbursal. The judicial system has the authority to forfeit seized assets, and Brazilian law permits the sharing of forfeited assets with other countries.

16. Narcotics terrorists exploit Brazil's heavily transited border crossings and its expansive border areas where Brazilian law enforcement only has a minimal presence. To combat trans-border trafficking organizations more effectively, Brazil cooperates closely with its neighbors through joint intelligence centers (JIC) in strategic border towns. The newest JIC is located near the common border of Brazil, Bolivia, and Peru, in the Brazilian town of Eptaciolandia. The JIC operates out of the Federal Police offices and is staffed by the Brazilian DPF and a Bolivian law enforcement representative. Another JIC -- newly built and located in the Tri-Border Area of Brazil, Paraguay, and Argentina -- will commence operations following the finalization of staffing issues by the

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three countries. Brazil signed a memorandum of understanding in March 2007 to expand the Officer Exchange Program, which now includes Argentina, Bolivia, Chile, Peru, and Paraguay. This cooperative exchange allows police officers in these countries share real-time intelligence and improve their professional working relationships.

ACCOMPLISHMENTS

17. In 2007 the GOB made important advances in its drug prevention and law enforcement programs, including numerous seizures of illicit narcotics and weapons, and the arrest of important drug traffickers.

In one notable example, U.S.-Brazilian cooperation helped bring about the capture of Juan Carlos Ramirez-Abadia, a notorious Colombian drug cartel leader. The BFP also continued to play a major role in "Operation Seis Fronteras" (Six Borders) to disrupt the illegal flow of precursor chemicals in the region. The GOB also supported "Operation Alliance" with Brazilian and Paraguayan counter-drug interdiction forces in the Paraguayan-Brazilian border area, and "Operation San Francisco", which successfully targeted a Colombian drug trafficking operation tied to the Revolutionary Armed Forces of Colombia (FARC).

LAW ENFORCEMENT EFFORTS

18. In September 2007, the Brazilian Federal Police received new leadership, which made several senior executive personnel changes that appear to favor increased law enforcement cooperation with the United States and other international partners in efforts to target major drug trafficking operations in Brazil. In 2007, the Brazilian Federal Police seized 13.1 metric tons (MT) of cocaine, 916 kg of cocaine base, 488 kg of crack, 153.1 MT of marijuana, and 16 kg of heroin. The Federal Police makes records relating to chemical transactions available to USG law enforcement officials when requested. Since only the Federal Police, and not local police forces report seizures on a national basis, and since Federal Police sources estimate they record perhaps 75 percent of seizures and detentions, all seizure statistics may be incomplete. The Federal Police also indicted 4,069 people on drug-related charges. Brazil is a growing consumer market for amphetamines and ecstasy, the

so-called synthetic drugs. In February 2007, after a six-month investigation, Brazilian State Police dismantled an Ecstasy lab -- believed to be the first in Brazil -- in the State of Goias, and seized approximately 30,000 tablets estimated to be worth US\$450,000. Many assets, particularly motor vehicles, are seized during narcotics raids and put into immediate use by the Federal Police under a March 1999 Executive Decree. Other assets are auctioned and proceeds distributed, based on court decisions. Federal Police records show that the GOB seized one airplane, 11,923 motor vehicles, 237 motorcycles, 8 boats, 379 firearms, and 1,865 cell phones in 2007.

¶9. In conjunction with Operation Topaz the DPF agreed to work with the USG to perform a study on the use within Brazil and the exportation of Acetic Anhydride from Brazil.

CORRUPTION

¶10. As a matter of government policy, neither the GOB nor any of its senior officials condone, encourage, or facilitate production, shipment, or distribution of illicit drugs or laundering of drug money, although corruption remains a problem. The Federal Police have carried out a number of high profile investigations of public officials and State Police involved in money laundering and/or narcotics trafficking. The fight against corruption remains a high priority for Brazilian law enforcement. In September 2007, the BFP arrested 52 Military Police Officers from a single battalion in Rio de Janeiro after a seven-month long investigation ("Operation Two Faces") into their involvement in a police corruption ring whereby they were on the payroll of drug traffickers.

AGREEMENTS AND TREATIES

¶11. Brazil became a party to the 1988 UN Drug Convention in 1991. Bilateral agreements based on the 1988 convention form the basis for counter-narcotics cooperation between the United States and Brazil. The United States and Brazil are parties to a bilateral mutual legal assistance treaty that entered into force in 2001, which is actively used in a wide array of cases. In 2002, the U.S. Customs and Border Protection signed a Customs Mutual Assistance Agreement with the government of Brazil, which provides a basis for the exchange of information to prevent, investigate and redress any offense against the customs laws of the United States or Brazil. Brazil also has a number of narcotics control agreements with its South American neighbors, several European countries, and South Africa. These agreements have given rise to further cooperation, such as "Operation Six Borders (Seis Fronteras)", which also strengthens relations among the various law enforcement agencies. Brazil

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cooperates bilaterally with other countries and participates in the UN Drug Control Program (UNDCP) and the Organization of American States/Anti-drug Abuse Control Commission (OAS/CICAD).

EXTRADITION

¶12. The Brazilian constitution prohibits the extradition of natural-born Brazilian citizens. It allows for the extradition of naturalized Brazilian citizens for any crime committed prior to naturalization. The constitution also allows for the extradition of naturalized Brazilian citizens specifically for narcotics-related crimes committed after naturalization, however no such extraditions have occurred, because the Brazilian congress has not passed implementing legislation. Brazil cooperates with other countries in the extradition of non-Brazilian nationals accused of narcotics-related crimes. Brazil and the U.S. are parties to a bilateral extradition treaty and protocol thereto, both of which entered into force in 1964.

ILLICIT CULTIVATION/PRODUCTION

¶13. Although some cannabis is grown in the interior of the northeast region, primarily for domestic consumption, there is no evidence of significant cultivation or production of illicit drugs in Brazil. Other drugs for domestic consumption or transshipment originate mainly in Colombia, Peru, Paraguay, or Bolivia.

DRUG FLOW/TRANSIT

¶14. Cocaine arriving from Bolivia and marijuana from Paraguay are mainly destined for domestic consumption within Brazil. Higher quality cocaine from Colombia for export to Europe, the Middle East, and Africa enters by boat and is placed in ships departing from Brazil's northeastern ports. Organized groups based in Sao Paulo and Rio de Janeiro arrange for the transport of the contraband -- increasingly smuggled by international couriers (mules) aboard trans-Atlantic flights -- through contacts in the border areas. The drugs are purchased from criminal organizations that operate outside of Brazil's borders. Traffickers have reduced the number of long flights over Brazilian territory due to Brazil's introduction of a lethal-force air interdiction program in 2004. However, traffickers still make the short flight over Brazil en route to Venezuela and Suriname. Proceeds from the sale of narcotics are used to purchase weapons and to strengthen the groups' control over the slums (favelas) of Rio and Sao Paulo. Domestic networks that operate in the major urban areas of the country carry out the distribution of drugs in Brazilian cities.

DEMAND REDUCTION

¶15. The National Anti-Drug Secretariat (SENAD) is charged with oversight of demand reduction and treatment programs. Some of the larger USG-supported programs include a nationwide toll-free number for drug-abuse counseling, a nationwide DARE program (Brazil has the largest DARE program outside of the United States), and a national household survey of drug use among teens. In early 2007, SENAD released the results of the 2005-2006 national household drug consumption survey, partially funded by the USG, which indicated that since the last survey was done in 2001, marijuana consumption had increased from 6.9% to 8.8% and cocaine consumption had increased from 2.3% to 2.9%. SENAD also supports drug councils that are located in each of the state capitals. These councils coordinate treatment and demand reduction programs throughout their respective states.

IV. U.S. POLICY INITIATIVES

POLICY INITIATIVES

¶16. U.S. counter-narcotics policy in Brazil focuses on identifying and dismantling international narcotics trafficking organizations, reducing money laundering, and increasing awareness of the dangers of drug abuse and drug trafficking and related issues, such as organized crime and arms trafficking. Assisting Brazil to develop a strong legal structure for narcotics and money laundering control and enhancing cooperation at the policy level are key goals. Bilateral agreements provide for cooperation between U.S. agencies, SENAD, and the Ministry of Justice.

BILATERAL COOPERATION

¶17. U.S.-Brazilian bilateral programs include support of intelligence-driven operations such as the joint intelligence centers located in Tabatinga and on the Bolivian border; and training courses in airport interdiction and container security. Prevention and treatment assistance included support for D.A.R.E.

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and the toll free drug counseling/information hotline, as well as completing a national household survey of drug usage.

¶18. In 2007, various operations, such as the annual "Operation Alianza" (Brazil, Paraguay) that involved marijuana eradication/interdiction, and "Operation Seis Fronteras" were supported with USG funds. During 2007, the USG provided training throughout Brazil in combating money laundering, airport interdiction, community policing, container security, counter-drug SWAT operations, maritime law enforcement, and demand reduction programs. Brazilian Law Enforcement attended training programs in the United States, such as money laundering prevention seminars and

the Federal Bureau of Investigation academy. Seminars and courses for State police representatives also assisted the Brazilian authorities with security preparations for the 2007 Pan American games. In 2007, the GOB and USG agreed to expand the Container Security Initiative in Santos, Brazil to promote secure containerized cargo to the United States.

THE ROAD AHEAD

¶19. Despite improved cooperation with its neighbors, Brazil's expansive territory and borders make effective border control and narcotics enforcement in the vast Amazonian region -- more than half its national territory -- a serious challenge. While 2007 proved to be a productive year for Brazilian Federal Police in their fight against narcotics trafficking organizations, Brazil remains a major drug transit country. In early 2007, the USG conducted a comprehensive review of USG counter-drug and law-enforcement assistance to Brazil, to ensure that the changing policy priorities of both countries are being properly addressed. The GOB and USG subsequently agreed to implement programs designed to control the movement of drugs, illegal currency, and other narcotics-related contraband through Brazil's sea ports and major airports. Moreover, increased support for intelligence-driven bilateral and regional operations, implementing a new strategy for combating money laundering, as well as fostering a closer working relationship with state and local officials in high crime areas should show positive results over the next year.

IV. STATISTICAL TABLES

¶20. Calendar year 2007 2006 2005

Coca

Eradication (mt)	-	-	-
Cocaine seizures (mt)	13.1	11.5	15.8
Crack cocaine (mt)	.49	.14	.13

Cannabis

Eradication*	.37	.92	1.54
Marijuana seizures (mt)	153.1	135.0	146.6

* .37 million plants destroyed. Conversion to metric tons not given.

Heroin (kg)	16	57
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Arrests	4,069**	2,042	2,298
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** The Federal Police indicted 4,069 people on drug-related charges; arrest figures forthcoming.

Note: All figures shown are those provided by the Federal Police and do not include the activities of state, local, and highway police. No surveys were conducted; market for cannabis is domestic.

VI. PRECURSOR CHEMICAL CONTROL

¶21. The GOB's Justice Ministry issued a decree, Portaria Ministerial No 1.274-MJ, in August 2004 to prevent the manufacture of illegal drugs; this regulation made Brazil's law pertaining to chemical control arguably the most stringent in South America. The decree established the control of 146 chemical substances that can be utilized in the production of drugs; Brazil previously controlled 12 chemical substances. All companies that handle, import, export, manufacture, or distribute any of these 146 substances must be registered with the Brazilian Federal Police. There are approximately 25,000 such companies registered with the Brazilian Federal Police. These registered companies are required to send a monthly report to the Brazilian Federal Police of their usage, purchases, sales, and inventory of any of these 146 substances that they handle. Any person or company that is involved in the

purchase, transportation, or use of these products must have a certificate of approval of operation, real estate registry, certificate, or special license; which are issued by the Brazilian Federal Police. Companies that handle the 22 substances in List I, commonly referred to as precursors, of the aforementioned decree are also regulated by Brazil's National Sanitary Vigilance Agency (ANVISA).

¶22. The GOB has fulfilled the 1988 UN drug convention goals relating to chemicals and is a party to international agreements on a method for maintaining records of transactions of an established list of precursor and essential chemicals. The GOB participates in and supports multilateral chemical control initiatives. The Brazilian Federal Police have agreed to work with the DEA to perform a study on the use within Brazil and the exportation of Acetic Anhydride from Brazil; this is in conjunction with Operation Topaz. The Brazilian Federal Police respond to the DEA's Multilateral Chemical Reporting Notifications (Pre-notifications of exports of controlled chemicals) in a timely fashion. In summary, the GOB is interested and proactive in chemical control.

SOBEL